

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 SP-02 USIA-15 AID-05 NSC-05  
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LAB-04 SIL-01 /092 W  
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R 252038Z MAR 77  
FM AMEMBASSY PARIS  
TO SECSTATE WASHDC 1056

UNCLAS PARIS 08937

PASS TREASURT, FEDERAL RESERVE, COMMERCE, LABOR

E.O. 11652: N/A  
TAGS:EALR, EFIN, EGEN, FR  
SUBJ: BARRE: NO CHANGE IN BASIC POLICY OF BARRE PLAN

1. IN THE WEEK FOLLOWING THE MUNICIPAL ELECTIONS, P.M. BARRE IS STRENGTHENING HIS EFFORT TO SPELL OUT TO THE PUBLIC THE STEPS WHICH HE DEEMS ABSOLUTELY NECESSARY TO PUT THE ECONOMY BACK ON ITS FEET. A FULL TWO-PAGE INTERVIEW APPEARS IN TODAY'S "L'AUORE." HE IS SCHEDULED TO GIVE AN IMPORTANT POLICY SPEECH SUNDAY AT LYON.
2. THE HIGHLIGHT OF THE "L'AUORE" INTERVIEW IS HIS UNEQUIVOCAL STATEMENT THAT THERE WILL BE NO CHANGE IN THE BASIC POLICY OF THE BARRE PLAN AS A RESULT OF THE MUNICIPAL ELECTIONS. IN RESPONSE TO A QUESTION ON UNEMPLOYMENT, HE DID OFFER, FOR THE FIRST TIME, THE POSSIBILITY OF GOVERNMENT SUPPORT TO INVESTMENT BY SECTOR.

FOLLOWING ARE THE SPECIFIC POINTS HE MADE REGARDING GOF ECONOMIC POLICY FOR THE NEAR FUTURE:

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(A) A STABLE EXCHANGE RATE, AND EVEN AN APPRECIATION OF THE FRANC, IS ESSENTIAL.

(B) HOPEFULLY, THE RATE OF INTEREST CAN BE DECREASED IN THE COMING MONTHS. HOWEVER, IT WILL BE CONTINUED TO BE USED TO DEFEND THE FRANC. COMMENT: IN RECENT DAYS, THE COMPAGNIE BARCAIRE AND THE CREDIT LYONNAISE

HAVE HAD ISSUES TOTALING FF 650 MILLION AT AN INTEREST RATE OF 11.3 PERCENT, THE HIGHEST RATE SO FAR FOR SUCH ISSUES BY COMMERCIAL BANKS WHICH SOME BELIEVE IS A SIGNAL FOR HIGHER MEDIUM AND LONG TERM RATES IN THE COMING MONTHS. END COMMENT

(C) GOF WILL MAINTAIN ITS POLICY OF A PROGRESSIVE RETURN TO BUDGETARY EQUILIBRIUM BY 1978.

(D) THERE MUST BE AN END TO THE SHARP INCREASE IN SOCIAL CHARGES WHICH HAVE SERIOUSLY AFFECTED COMPAGNIES' FINANCES.

(E) ALTHOUGH FOR FRANCE A SYSTEM OF FREE TRADE IS THE BEST MEANS OF ASSURING WORLD ECONOMIC GROWTH, IT CAN BE MAINTAINED ONLY AS LONG AS ALL COUNTRIES PLAY THE RULES OF THE GAME AND THERE EXISTS A SATISFACTORY ORGANIZATION OF MARKETS.

3. IN VIEW OF THE IMPORTANCE BEING ATTACHED TO THE PM'S SPEECH IN LYON, A MORE DETAILED ANALYSIS OF HIS POINTS WILL FOLLOW.  
GAMMON

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## Message Attributes

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Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009